

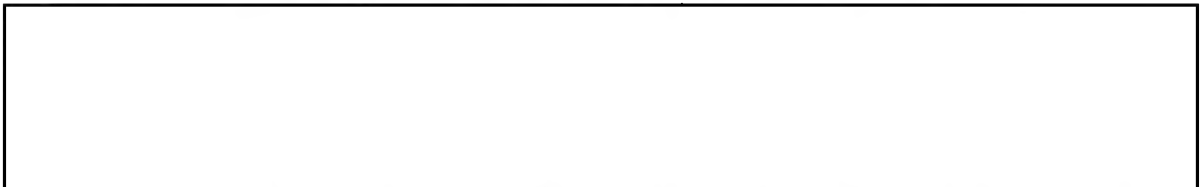
S-E-C-R-E-T
US OFFICIALS ONLY

1950 UGINE COBALT DIVERSION

At some time during the Summer of 1950 the Industrial Specialty Company, Ltd., 18 Buckingham Gate, London placed an order with Societe d'Electro-Chimie, d'Electro-Metallurgie, et des Acieries Electriques d'Ugine, Paris, for 5080 kilos of electrolytic cobalt.

This order was accepted at Ugine's sales level where it aroused no suspicion, since it was assumed that the order was a legitimate, though large, requirement for the British market. Ugine had to purchase the ore in Morocco as the amount needed was in excess of the supply available in Metropolitan France. Because Moroccan ores are high in arsenic they require more refining than native French ores. For this reason Ugine charged the British firm a premium price for the refined cobalt.

25X1X6



By that time the cobalt was at a French port awaiting shipment to England.

25X1X6



Accordingly the material was shipped to the British consignee.

25X1X6

trans-shipment from England could have been prevented if prompt action had been taken.

25X1X

25X1X



The British consignee, Industrial Specialty Co., Ltd., London, during July 1950 participated in the transshipment of 50 tons of US-origin molybdenum concentrates through a British port to the USSR.

S-E-C-R-E-T

State Dept. declassification & release instructions on file

~~S-E-C-R-E-T~~
US Officials Only

Industrial Specialty Co. and Harlow and Jones, Ltd. are located at 18 Buckingham Gate, London, and are both reportedly controlled by two brothers - Gerald Stanley Panchaud and John Braithwaite Panchaud.

A 1951 report named Eugene B. Lubovitch as the owner of a 100% interest in Industrial Specialty. In the light of these conflicting reports it is not possible to conclude the precise details of ownership and control in Industrial Specialty. Lubovitch has not been reported as an owner or controller of Harlow and Jones.

Harlow and Jones has an extensive trade with China in Chincom embargo items and with the Bloc in permissible items delivered via Rotterdam to Gdynia as the usual routing. It has made purchases from firms in and near Duisburg, such as Klockner and Co.

A London street directory gives the following firms as addressees at 18 Buckingham Gate:

Orlit, Ltd., precast concrete manufacturers
Industrial Specialty Co., Ltd., iron and steel
merchants.

Harlow and Jones, foreign exchange brokers
Uxbridge Mills Ltd, wood, wool manufacturers
Kyodo Shoji (UK) Ltd., iron and steel agents

In January 1954, Intertrade, Ljubljana, Yugoslavia, made a contract to sell 150 tons of copper bars to Harlow and Jones, and requested a license in favor of Kyodo Shoji, at the same address as Harlow and Jones, to cover a total of 500 tons of copper including the above contract.

One of the Panchauds (fnu) belongs to the firm of Wickham and Richardson, London, and owns the SS OLANUS, 3000 tons, which sails to China from North Sea ports.

Industrial Specialty Co. is reportedly notorious in British industrial circles for its trade in strategic materials with the USSR and the Satellites.

25X1X [] Industrial Specialty is a one-man outfit operated by Eugene B. Lubovitch. Lubovitch is said to have good contacts in the UK shipping industry and to maintain acquaintances with a number of officials in the government.

~~S-E-C-R-E-T~~

25X1X

One of Lubovitch's close acquaintances, [redacted] is Andre Reynaud, an engineer and a high official of Louvreil Montbard Aulnoye, the largest French steel pipe and tubing manufacturer. [redacted] this relationship resulted in substantial shipments of pipe and tubing from Aulnoye plants to the Bloc. This relationship might be relevant to the Ugin cobalt diversions both in 1950 and 1953 because of the standing and business connections which Reynaud enjoys in French commercial circles.

25X1X

25X1X

Although Lubovitch maintains an office at 595 Madison Ave. (Mercantile Metals and Ores) and an apartment in New York City, source believed that he was probably a citizen of Liechtenstein.

The preceding summarizes what is known about the 1950 diversion of Ugin cobalt by Industrial Specialty Co., Ltd., London, one of several firms subject to control by Lubovitch.

Eugene B. Lubovitch was born in Russia in 1883. During World War I he was Director of the War Industry Board in that country and also a member of the Supreme Economic Council.

He went to France in 1918 where he founded Coframet in 1924. According to Lubovitch himself, he is a large individual stockholder in Commercial Metal Co., Ltd., listed in a 1953 directory at 66 Gresham St. EC 2, London, and also a stockholder in Sudametal SA and Sud-Americana de Metales y Minerales Corrientes, Buenos Aires. No inter-company loans, guarantees, endorsements, or advances are reported to exist between Mercantile Metal and Ore Corporation, New York and the English and South American affiliates, all of which are substantially controlled by Lubovitch. Merchandise transactions, however, are reported to take place on open account terms with no stipulated terms of repayment.

Lubovitch is also a director of and has a financial interest in Comercio General S.A, Mexico City, a Mexican corporation which acts as purchasing agent in Mexico for Mercantile Metal and Ore Corporation. Other than merchandise transactions no inter-company relations are reported to exist between Mercantile and Comercio General.

Lubovitch established Mercantile Metal and Ore Co. in 1937 to take over the American business formerly handled by an agency of Coframet, his Paris firm. In 1951 Mercantile employed a staff of 32. During 1950 Mercantile moved from 60 Wall St. to 595 Madison Ave.

S-E-C-R-E-T
US Officials Only

Mercantile has three subsidiaries, two directly owned and one indirectly owned.

- (1) Coframet, Paris. Mercantile owns 55% of capital stock, and Eugene B. Lubovitch owns the remaining shares. The net worth of the French subsidiary in 1950 was estimated to be \$350,000.
- (a) Coferacier (Compagnie Francaise des Fers et Aciers) Paris. A subsidiary of Coframet and indirectly a subsidiary of Mercantile. Coframet owns 100% of Coferacier.
- (2) South American Commercial Co., 60 Wall St., New York. Mercantile owns 100% interest. Functions as export agent for Mercantile, but was virtually inactive, according to a 1950 report.

Lubovitch and Reynaud reportedly first became acquainted when Reynaud was in the United States to learn the steel business with American Rolling Mills Co., Middletown, Ohio (now Armco Steel). With Lubovitch's help Reynaud acquired the European right to certain Armco processes on which he made a sizable profit. Reynaud is said to have assisted Industrial Specialty in placing with UGINE a large order for cobalt which was later transhipped to the Bloc.

Lubovitch employed (a British General named Speers [redacted] as titular head of Industrial Specialty until about 1950. Speers was reportedly highly placed in the British Government during World War II, having handled the disbursement of all unvouchered funds for the Churchill Cabinet. Speers received a salary of 3000 pounds per year during his employment with Industrial Specialty but his only function was that of front-man for Lubovitch.

25X1C

Speers was replaced by Mike Wheeler, who was believed to occupy the same position with the Labor government as General Speers did with the Conservatives.

In 1940 Lubovitch went to the United States for UGINE in order to stop US shipments of molybdenum to Germany. He was partially successful in his mission but was reported to have obtained control of the molybdenum allocated to Germany and to have resold it elsewhere at considerable profit to himself.

STATOTHR

-4-

S E C R E T

E/ST information indicates that Industrial Specialty has shipped varied goods to the Bloc and China, such as pipe and tubing (? Aulnoye pipe and tubing), nickel scrap, and tires.

The 1953 Annuaire Chaix lists as directors of Coframet the following:

Armengaud, Andre - President

de Baudoin, Maurice

Bernard, Paul

Leneveu, Eugene B.

Mercantile Metal and Ore Co.
represented by Garreau-Dombasle, Maurice

Reynaud, Andre

Coframet Afrique
represented by Laurent, Jacques

Schwob, Raymond

Director-Generale - Marcel Depre

Andre Armengaud, President of Coframet, is an industrialist and a member (1952) of the French Senate. He opposed the Schuman Plan for a Coal-Steel Community.

In a speech at Istanbul, Turkey, in October, 1952 he defended the welfare-state philosophy and criticized the liberal economic policy of the United States. He painted a graphic picture of the 1930 depression and the misery in America. He also blamed the protectionist policies of the United States for the current economic difficulties of Europe.

Paul Bernard, also a Coframet director, is a French Industrialist; pulp, paper, salt, rubber.

Andre Reynaud has been mentioned previously in this paper as of probable assistance to Lubovitch (Industrial Specialty) in obtaining cobalt from Ugine in 1950 for shipment to the Bloc.

Reynaud is an engineer and director of several French firms. The 1953-54 Who's Who in Paris reports that he was born in 1899 and went to work at Acieries d'Ugine in the late '20's after

graduating from engineering school. Further positions were at Inland Steel, Chicago, and Armco Steel Middletown, Ohio, where he learned steel operations based on American practice. He returned to Europe as European technical director for Armco. He is now director of several firms, among them being Louvroil Montbard Aulnoye, a large French steel pipe and tubing manufacturer.

Mercantile Metal and Ore, 595 Madison Ave., New York, has appeared in several USRO/ST despatches. In November, 1953 USRO/ST indicated that there might be some connection between Mercantile Metal and Ore and Associated Metals and Minerals, also of New York. USRO did not spell out the grounds for this inference--apparently based on the SALEM ferromolybdenum diversion case--nor is E/ST currently able to spell out any such connection. See USRO/Paris POLTO A-330, 7 November, 1953, Confidential.

During an interrogation at Milan on 7 August 1953 Col. Brown of USRO/ST learned that Frederico Lobel Korner used as his US address the Mercantile Metal and Ores Co., New York. See: USRO/Paris POLTO A-107, 13 August, 1953, Secret.

Of general background interest to the diversion of Uginé cobalt is the attitude of Uginé's president towards the Soviet Bloc and towards US economic policy in France. It is impossible to determine to what extent his personal philosophy has filtered down through so large an organization as Uginé, but it might have played some part in the setting in which the cobalt diversions occurred.

In 1951 Uginé's president, Andre Perrin, a man in his sixties, was very concerned over US economic policy toward France, which he felt was in many ways a greater threat to French stability than Communism. His fears seemed to stem from a feeling that the US was trying to Americanize French industry too rapidly.

He thought that a vast amount of modern US industrial equipment had been installed in France which resulted in a marked increase in French industrial production and activity. He felt, however, that the increase in production was coming too rapidly for the French economy to stand, much more rapidly than a similar increase had ever taken place in US industry.

He was of the opinion that US authorities had failed to consider French industrial traditions and the comparative poverty of the French resources. He was sceptical of the practicability of a US-type economy in France. He was convinced that there would be serious social disorders among the working forces if and when French industrial operations retreated from their current high level, and that the US would be blamed by the workers as being responsible for the installation of too much labor-saving machinery.

S-E-C-R-E-T
US Officials Only

Perrin had a low opinion of Soviet Economy and military strength and didnot fear a Soviet invasion of Western Europe. He felt that Soviet policy was much too subtle to start a war. He stated that 60% of Uguine's working force follow the Communist line and that the Communist agitators and hard core Communists would attract an even larger and more convinced following than they did then should industrial conditions worsen.

S-E-C-R-E-T